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TO RUEHC/SECSTATE WASHDC 0438
INFO RUEHBY/AMEMBASSY CANBERRA 0444
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RUEHPT/AMCONSUL PERTH 0470
RUEHDN/AMCONSUL SYDNEY 0336
RUCNARF/ASEAN REGIONAL FORUM COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0021
RUEHKO/AMEMBASSY TOKYO 0021
RUEHUL/AMEMBASSY SEOUL 0017
RUEHJA/AMEMBASSY JAKARTA 0021
RHMFISS/DEPT OF ENERGY WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 02 PERTH 000054

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STATE FOR EEB MONOSSON
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TAGS: [EPET](#) [EINV](#) [ENRG](#) [AS](#)
SUBJECT: AUSTRALIA: WHEATSTONE GAS AND EQUITY TO JAPAN

REF: A. REF A. CANBERRA 630
[1](#)B. REF B. PERTH 40

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[1](#)1. SUMMARY: Less than a week after breaking ground on the US\$37 billion Gorgon liquefied natural gas (LNG) project, U.S. oil and gas company Chevron announced a cornerstone gas and equity agreement with Japan for its majority-owned Wheatstone LNG project in Western Australia. The estimated A\$90 billion (US\$82 billion) heads of agreement with Tokyo Electric Power is an important step forward for the project which is seeking to be Australia's fourth producing LNG processing plant in 2016. The deal is also likely to enhance the prospect of the federal government renewing several gas field retention leases under its new "use it or lose it" approach (Ref A). END SUMMARY

Japan is Wheatstone Foundation Customer

[1](#)2. Chevron announced December 5 that Tokyo Electric Power Company (TEPCO) has agreed to buy 4.1 million tons per year (mtpa) of LNG over the next 20 years from the WA-based Wheatstone project. TEPCO will also take a 15-percent equity share in Wheatstone's gas fields and an 11.25-percent share in the gas processing facility which is proposed for an onshore location near Onslow in WA's northwest. Media reports estimate the value of the deal at A\$90 billion (US\$82 billion), although company officials have not confirmed this figure.

Planning Well Underway

[1](#)3. The foundation gas sale with TEPCO covers almost half of Wheatstone's initial planned LNG production of 8.6 mtpa. Project officials believe production could reach 25 mtpa through deals with holders of nearby gasfields. In October subsidiaries of U.S. Apache Corporation and of Kuwait's Foreign Petroleum Exploration Company agreed to supply gas to the proposed

Wheatstone LNG plant, in exchange for equity stakes (16.25 and 8.75 percent respectively). Chevron officials say the company will make a final investment decision on Wheatstone in 2011 with production planned to start in about 2016. Chevron already has 550 staff working on the project and expects to create up to 6500 direct and indirect jobs during the construction.

Federal and State Officials Welcome the Deal

14. Federal Resources Minister Martin Ferguson welcomed the deal, saying that the expanding suite of LNG investments will transform Australia into an "energy superpower." The Reserve Bank has forecast that LNG exports could increase fourfold by 2020, joining coal and iron ore as the country's biggest exports. WA Premier Colin Barnett lauded the deal as the largest-ever Australian export sales contract, bigger than ExxonMobil's A\$50 billion (US\$45 billion) LNG sale to China in August from the Gorgon project. Long-term export sales contracts for Australian gas exceed A\$500 billion this year.

Comment: Australia's 4th LNG Project?

15. The agreement with TEPCO, a respected veteran LNG customer, boosts Wheatstone's feasibility ranking among the large slate of Australian LNG projects (Ref B). With Inpex' announcement of a delay to its Ichthyus project for Darwin, Wheatstone could become Australia's fourth producing LNG facility sometime mid-decade. The gas sale should also help Chevron in the face of

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likely pressure from the government on its holding retention leases for Wheatstone fields (Septel). Possible labor and equipment shortages associated with the Gorgon project could delay Wheatstone's ambitious timeline, potentially causing problems if the government refuses to renew its leases. END
COMMENT
CHERN